

**EDMONDS SCHOOL DISTRICT No. 15**  
**Snohomish County, Washington**  
**September 1, 1992 Through August 31, 1993**

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**Schedule Of Findings**

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1. District Officials Should Improve Controls Over Material And Supplies Inventory

Our review of maintenance inventory disclosed the following weaknesses:

- a. There is a lack of centralized control over the process of ordering, receiving, and disbursing inventory items in the 15 different maintenance departments. The general supplies are ordered, received, and input into the automated system by a single individual.
- b. Our testing disclosed inventory items found on the shelves which could not be located in the automated inventory system and/or did not agree with the physical count.
- c. Obsolete and surplus items were not accounted for in the district's system. Many items were not tagged or marked which made it difficult to distinguish between active, surplus, and obsolete inventory.
- d. There was no physical inventory taken for the fiscal year ended August 31, 1993.

Inadequate controls increase the risk of errors and irregularities which could result in a misstatement and/or loss of assets. This finding substantially parallels the findings contained in our 1990 and 1991 audit reports.

We recommend district officials do the following:

- a. Establish and implement policies and procedures for centralized ordering, receiving, and disbursing of maintenance inventory. The ordering and receiving of general supplies should be segregated between two people.
- b. Perform spot checks between the physical and automated inventory counts on a cyclical basis for all 15 maintenance departments. These checks should be performed by someone other than the employee primarily responsible for posting to the inventory system.
- c. Establish procedures to identify and remove obsolete inventory. Any inventory not determined to be obsolete should be assigned control numbers and entered into the system.
- d. Conduct a physical count of all inventory at year end for inclusion into the financial statements.

**EDMONDS SCHOOL DISTRICT No. 15**  
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**Schedule Of Federal Findings**

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1. Payroll Charges To Federal Programs Should Be Adequately Supported

Our review of federally funded programs disclosed the following weaknesses:

- a. During our review of the Chapter One Program, we tested eight teacher records and found four did not have time distribution records for the months we selected. There was also one time distribution record not signed by a supervisor.

Chapter One teachers are only required to turn in their time and effort records to the grant coordinator four times during the school year; November, January, March, and May. For all other months during the year the time and effort records are kept with the teachers at the schools. The records which are not turned into the grant coordinator are not reviewed and reconciled to the actual Chapter One payroll charges.

- b. During our review of the Handicapped Program, we found that time and effort records were not available to support the payroll charges of full and partially funded employees.

District officials have never required timesheets for work performed on the Handicapped Programs. Payroll costs are pre-assigned and charged to the program based on personnel assignments.

The U.S. Office of Management and Budget (OMB) Circular A-87 requires that salaries and wages of employees chargeable to more than one cost objective must be supported by monthly time distribution records. These reports must be signed by the individual employee and by a responsible supervisory official having firsthand knowledge of the activities performed by the employee.

The absence of authenticated time reports has been brought to the attention of district officials in the 1991 and 1992 audit reports.

Without adequate supporting documentation, it is not possible to ensure that the federal grant is appropriately charged for time actually spent on the grant program. For time distribution records tested the district's supportable charges were greater than the level requested in their reimbursement request.

We again recommend district officials do the following:

- a. Establish a system in which all employees chargeable to more than one grant program or cost objective maintain time distribution records.

- b. Have employees turn in their time distribution records to grant coordinators on a monthly basis. These distribution records must be signed by the employee and the supervisor.
- c. Reconcile the payroll charges to the federal programs to the monthly certified time and effort records and adjustments to the expenditure records should be made accordingly.
- d. Maintain time distribution records for the auditor's review.

2. Accounting For Fixed Assets Should Be Improved

As discussed in our 1990, 1991, and 1992 audit reports, district officials have not maintained an adequate system of controls over federally funded fixed assets. A physical inventory of federally funded assets has not been taken in accordance with the federal requirement.

The "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments* published by the Office of Management and Budget (OMB) Subpart C, Paragraph 32, section (d) Management requirements states:

Procedures for managing equipment (including replacement equipment) whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include . . . any ultimate disposition data of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Failure to comply with federal regulations could jeopardize future funding.

There has been some confusion between the grant coordinators and the inventory control technician as to whose responsibility it is to track the federally funded assets and to conduct the bi-annual physical inventory of federally funded assets.

We again recommend that district officials clarify the responsibility for the tracking of federally funded assets and the bi-annual physical inventory. We also recommend the results of the physical inventory be reconciled with the property records of the inventory control technician.